



MILKEN INSTITUTE

The Power of Ideas

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Insights for Building
Meaningful Lives

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“As we work to improve both public and private markets, companies of all sizes will have a clearer path to grow and innovate.”

Evolving the Capital Markets Ecosystem

I chose a career in financial services, and in particular the exchange sector, because I was excited by the notion of making capital accessible to entrepreneurial companies, and of letting capital serve as an engine for economic growth and social change. As a global exchange and technology provider to nearly 100 other exchanges worldwide, we at Nasdaq see firsthand the benefits we can bring to economies when markets operate efficiently, transparently, and in a well-regulated environment.

At Nasdaq, our focus has always centered on the creation of an ecosystem whereby entrepreneurs and up-and-coming companies can access capital efficiently from investors worldwide. Our public markets are second to none in providing continuous access to capital and to deep liquidity. Additionally, the Nasdaq Private Market offers companies the choice of periodic access to capital as they grow and mature. The promise of raising money through the capital markets plays a vital role

in our economy and has helped transform many nascent ideas into some of the most iconic brands of our time—companies like: Apple, Alphabet, Amazon, Microsoft, and Tesla. Without the framework that the capital markets provide—which links investors and companies to opportunity—many of these organizations might have never seen their businesses or ideas come to fruition.

Yet, we see today that public markets are shrinking, with approximately 5,100 U.S. public companies today as compared to 6,300 in 2005. There are a number of factors at play here, including significant regulatory hurdles that companies must face when they enter the public markets. That said, we know from experience that constructive interactions with the capital markets ultimately create jobs and lead to economic prosperity. This is why we at Nasdaq are so passionate about the role we play at the intersection of the capital markets and the economy. We continue to engage in public policy debate

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and work closely with government, regulators, and industry officials to ensure that the principles of sound capital formation, market structure, and those issues most prevalent for growth companies are being heard.

As stewards of this dynamic ecosystem, Nasdaq is focused on a number of key areas to build on the efficiency of our capital markets and help fuel the U.S. economy. These are among the many ideas and innovations we are fostering and discussing with various stakeholders:

Increasing transparency

America's equity markets are the most transparent in the world, and international investors flock to U.S. markets because of the confidence this inspires. One of the ways we excel is through the application and development of new technologies, including machine intelligence, to create better outcomes for investors. We are constantly innovating in our world-leading market/trade surveillance suite that we apply to our own

market operations, as well as offer to other market operators and broker-dealer clients to surveil activity across the capital markets ecosystem. We are also using machine intelligence to create predictive intelligence products to enable investors to have more sophisticated and successful interactions with the U.S. equities markets.

Driving long termism

Healthy markets require investors with a broad diversity of strategies. Short-term traders inject much-needed liquidity and price discovery into markets. But we also must ensure that long-term investors—those who believe in the inherent value of a company and seek to become part-owners—are able to participate on a level playing field with those who focus on speed and market timing. Additionally, public companies have the right to information that informs them of the different strategies that investors are undertaking as they trade public shares, including periodic disclosure of short positions, as well as better ownership intelligence.

Creating the right conditions for smaller growth companies

Smaller growth companies are a vital component of our economy, and yet today, underserved by capital markets. Nasdaq is focused on finding ways to aggregate liquidity in smaller company stocks

and to find new ways for supply and demand to come together at the right price. That includes regulatory and legislative changes to create the potential for a single exchange to have exclusive rights to trade certain companies, to create “intelligent tick sizes” to aggregate liquidity at specific price points, and to be able to innovate with intraday auctions or other means to bring natural buyers and sellers together. We are also focused on moderating disclosure requirements for smaller companies to create a more inviting and less expensive means to tap public markets. We want to create an open and available market for all companies throughout their corporate lives, and one that meets specific needs of companies at different points in their development.

America's equity markets are truly the best in the world—they attract the deepest and most diverse community of investors and market participants and drive our economy—but there is more that must be done to ensure they continue to evolve and flourish. As the CEO of Nasdaq, I am focused on acting on behalf of our clients, market participants, and investors, to fulfill our mission to provide the most robust markets in the world. This is a mission that I am deeply passionate about and one with enormous implications for businesses and economies all over the world.